

Ethical Leadership: An Oxymoron?

Part 2...

From the Book: Leadership, Ethics and Paradigm Shifts

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Ethics Tools: Policies and Procedures

1. Review all personnel policies and procedures with all employees, and obtain their feedback on an ongoing basis. Update policies and procedures, to ensure desirable conduct, while avoiding ethical dilemmas, such as conflicts of interest or infringing upon the rights of stakeholders. Ethical behavior should be rewarded, while unethical behavior should be punished.
2. To demonstrate corporate social responsibility, firms often institute policies and procedures to recycle waste, donate to local charities, pay employees to participate in community events, pay attention to customer needs promptly and in a fair manner, and so on. Ensure that job descriptions and performance appraisals are based on fairness and true appreciation.
3. Ensure that all employees are adequately trained in the ethics management program.
4. A grievance policy is required, to handle disagreements between employees.
5. An ethics hotline must be in place to allow feedback on an anonymous basis.

Ethical Dilemmas

Ethical dilemmas faced by managers are often complex and sometimes without clear-cut guidelines for what is right and what is wrong. Several factors influence decisions, especially in a workplace with a diverse workforce.

Examples of Ethical Dilemmas

- (a) If a customer cannot afford our products or services, should we direct him to a suitably priced alternative, which benefits our competitors?

- (b)How should we proceed if an employee deserves more money but we cannot afford it?
- (c)If we claim to encourage the hiring of minorities, are we justified in disregarding an immigrant on the basis of his very limited command of the English language? Do we hire him and suffer? Do we hire him on condition that he improves the standard of his English within (say) three months, or do we hire him and pay for him to attend English classes?
- (d)One of my employees refuses to be trained by a gay person who seems to be attracted to him. What should I do?
- (e)My boss has confided in me about the pending layoff of a fellow employee, and I have promised to keep silent on this subject. I know that this employee is planning on buying new furniture. What should I do?"
- (f) My boss plans to give a new opportunity (which I am interested in) to a fellow employee, who is supposed to leave soon. What should I do?
- (g)Am I allowed to use the company's computer or telephone system for personal reasons?

How to Solve Ethical Dilemmas

Ideally, ethical dilemmas should be resolved by a group within the organization, e.g., an ethics committee comprised of directors, managers, and other staff members. Methods to address ethical dilemmas include procedures, an ethical checklist, and a list of key questions.

The Code of Ethics

The code of ethics cannot possibly be comprehensive enough to cover all situations. Therefore, one's conscience should dictate one's behavior, regardless of the circumstances. *Paying mere lip service to ethics is unacceptable!*

Leaders and managers must realize their vision through people who have been selected based on merit rather than irrelevant criteria, such as friendship or relationships. These people should be trained and motivated through teamwork, caring, sharing, fairness, and respect.

1. *Values.* Leaders must establish their own values and the values of the organization and ensure that employees have similar values through communication and appropriate training.
2. *Trust.* Leaders must facilitate trust between stakeholders and outside parties with a view to promoting effective operations within an ethical framework.
3. *Code of Conduct.* The code of conduct should reflect the ethics and values of the company in question. It should be duly communicated to all stakeholders via literature, training sessions, and other means *on and off the job*. Ethics and morality go far beyond mere legal compliance. Leaders should communicate with the outside world through words and examples as part of a public relations exercise, which is aimed at boosting corporate image and goodwill. Feedback should be welcomed to help improve effectiveness within an ethical framework.
4. *Act.* To be effective, the entire firm must demonstrate ethical behavior. All unethical behavior must be reported, investigated, and acted on in a fair manner. A concerted effort should be made to recognize and reward exemplary demonstrations of ethical behavior.
5. *Monitor and Sustain Ethical Behavior.* Ethical leadership is mandatory. The organization must gather feedback through surveys, focus groups, one-on-one interviews, and other means to identify stakeholder concerns regarding the presence or absence of an ethical environment. Possible benefits include increased goodwill via improved corporate image, reduced employee and customer turnover, lower legal costs, and more desirable results.

Bernie Madoff, a well-known Wall Street Investment Advisor and one of the founders of the NASDAQ exchange, orchestrated an elaborate fraudulent scheme involving several billion dollars. He was allegedly running a “Ponzi” scheme, mismanaging new funds—amounting to several billion dollars, including the life savings of thousands of his clients—to pay dividends to existing investors. Mr. Madoff was placed under house arrest, with a bail set at \$10 million.

A federal judge mandated that a security firm inspect Mr. Madoff and his wife's mail before they left their building and that an inventory of all valuable portable items in his apartment be conducted every two weeks to ensure that he did not try to dispose of them. He was eventually sentenced to 150 years in prison!

Vincent Lacroix, convicted on 200 fraud-related charges totaling more than 100 million US dollars, was sentenced to 17 years and will probably be released in 2025. This scandal is the largest in Canadian financial history.

Numerous other notable examples of fraud exist. The Forbes Magazine “Corporate Scandal Sheet” (Patsurius, 2002) lists, among others, companies like Enron, Time Warner, Bristol Meyers, Halliburton, KMart, Tyco, WorldCom, and Xerox. This raises the question: Who can you trust?

Enforcing the Code of Ethics

The Sarbanes Oxley Act of 2002, USA, was enacted following the Enron scandal. It aimed to enforce strict reporting requirements and prevent corruption. For some individuals, maintaining ethical standards can be extremely challenging when faced with the temptation of substantial financial rewards and the excitement that corruption may bring.

Noncompliance with the Code of Ethics - The Consequences

Failure to adhere to a strict code of ethics can lead to significant consequences, including the loss of reputation, trust, business, and potential legal ramifications. It is essential always to keep this in mind.

Managers frequently need to pay more attention to the complexity of human rights issues. Their significance is often underestimated. To ensure effectiveness ethically, it is crucial to prevent or minimize violations in this context.

The third report to the UN Human Rights Council, which was submitted in late 2008, discusses

- a) The government’s duty to protect human rights;
- b) Corporate responsibility to respect human rights; and
- c) The need for greater access by victims to effective remedies.

These core principles have received endorsement from major international business and human rights organizations. Numerous chief executives are staunchly committed to protecting human rights, including healthcare, safe drinking water, decent working conditions, mutual respect, non-discrimination, and global justice. They believe that this commitment fosters goodwill and enhances business performance.

Human rights acts aim to safeguard employees, taking their feelings into consideration. Typically, these acts include grievance procedures for employees who feel exploited. Should a business organization fail to address such issues satisfactorily, the aggrieved employee may seek legal redress and compensation through the courts.

Unfortunately, many business enterprises prioritize their bottom line over ethical conduct. Similarly, numerous individuals hold the view that ethics should remain confined to personal life rather than extend into the business realm. The golden rule to follow is, "Do unto others, as you would have them do unto you." Adhering to a code of ethics might result in short-term financial or other sacrifices, but it is likely to yield significant dividends in the medium and long term.

Practical Emphasis and Approach

How do ethics integrate with organizational goals and employee performance? Several organizations specialize in offering guidance to business enterprises in the realm of ethics, focusing on identifying ethical risks and establishing systems that promote higher standards of business conduct.

Employees who witness ethical leaders demonstrating and promoting honesty, fairness, respect, and trust in the workplace report more positive experiences. Furthermore, these employees are less inclined to compromise on ethics or engage in misconduct at work while also experiencing greater job satisfaction.

Feedback

When developing ethics programs, executives should welcome feedback from other employees, perhaps anonymously (to avoid acts of revenge against the feedback providers), and act on it. The approach should itself be ethical in nature!

An Ethics Program: Introduction and Development

Introducing and developing an effective ethics program requires companywide cooperation, encompassing communication, feedback, and implementation. Leaders must exemplify ethical behavior, leading by action rather than speech alone, in their efforts to satisfy stakeholders.

It is crucial to clearly define ethics and consistently demonstrate ethical behavior that aligns with our ethical beliefs. By respecting employees and treating them as part of the corporate family, they are more likely to adopt ethical practices. This approach

enhances the corporate image, attracts quality clients, and helps avoid scandals and negative publicity.

In the business realm, terms like “transparency,” “core values,” and “going green” are often used. However, ethics extend beyond these catchphrases. The Concise Oxford Dictionary defines ethics as “the science of morals in human conduct.” Ethical training should be reinforced by ethical conduct. Merely preaching about the importance of ethics while making false promises, placing unreasonable demands on employees, or offering unpaid internships under the guise of resume-building does not suffice. Although legal, these practices may not be ethically sound.

Many people view certain practices as ethically ambiguous. For example, offering unpaid internships to students who seek work experience is often seen as exploitation. Similarly, the ethicality of stem cell research, especially when it involves destroying a “living being” for “scientific progress,” is debated.

Ethical considerations should focus on fairness and integrity. Suggestions for improvement should be constructive and positive, fostering a healthy work environment and community. Corporate scandals involving companies like BP, Toyota, Enron, Arthur Andersen, Pfizer, and individuals like Tiger Woods have eroded trust. Outsourcing jobs to countries with cheap labor, sometimes involving child labor, results from intense competition and a focus on bottom-line results, leading to unethical business practices.

A genuine “green” approach is essential, not merely as a marketing strategy, or a public relations exercise. Specialist consultants can assist businesses in authentically adopting sustainable practices.

Despite the Civil Rights Act of 1964, discrimination based on race, color, religion, sex, national origin, disability, or age persists in America. The Act mandates a “zero tolerance” policy towards such discrimination, whether conscious or unconscious.

Public opinion often influences personal ethics more than legal regulations or a company's code of ethics. The collective voice of many can drive legal changes.

Ethical business and investment focus not only on profit, but also on how it is earned. This perspective encompasses social responsibility, both nationally and internationally, addressing safety, child labor prevention, honesty, fairness in employment and remuneration, environmental issues, health implications, and investment in hazardous products, among other concerns.

Ethics go far beyond the law. Some ethical actions can lead to a change in the law, e.g., where there is pressure from many people to ensure equality for all. Ethical actions are not always legal. Interestingly, the UK Consumer Protection Regulations, 2008, consider it illegal to mislead customers. Before the Act in question, such actions were considered perfectly legal, though unethical!

The flip side of the situation in question: the effects of the ethical decision—is a significant influence on ethical judgment. An ethical decision might not be regarded as sensible, if it benefits some people at the expense of more people, that is, if it is not "for the greater good." This type of argument is frequently used to defend unethical actions and policies.

The Basis for Ethical Decision Making - Fairness

In order to be ethical, one must be objective, fair, and able to see other people's points of view. This is difficult in times of pressure. The following are some guidelines:

1. Be fair - this is more important than boosting your own ego.
2. Ascertain the facts of the situation.
3. Review your previous experience and the experience of others in a similar situation.
4. Appreciate the short, medium, and long-term consequences, of the decision.
5. Be aware of the law related to the matter at hand.
6. Consult people with the required expertise.
7. Ask those who will be affected by the decision, to participate in the decision-making.

Workplace Bullying - Unethical and Professionally Unacceptable!

Bullying is both unethical and professionally unacceptable, as it represents a deliberate and repeated manifestation of uncivilized behavior. This behavior involves manipulation and abuse of power, often for self-gratification, and it progressively undermines a person's mental, emotional, and physical well-being, in an effort to secure an unfair advantage. In the context of schoolyard bullying, the perpetrators are

children, and their behavior is overseen by the leaders, namely, the school administration.

However, in the workplace, the situation often differs: the bullies can be the leaders themselves, such as managers and supervisors. In these scenarios, reporting a bully to the HR department, for instance, might inadvertently expose the victim to greater risks of bullying, hindered career progression, or even termination under the pretext of being a “troublemaker!”

Workplace bullying includes:

1. Acts of aggression: assaulting a person or destroying that person’s property, verbal abuse, teasing, playing tricks, spreading malicious rumors, half-truths, lies, or gossip;
2. Criticizing a person’s lifestyle or habits in an attempt to isolate them socially, weaken their support mechanism, lower their morale, and then bully them;
3. Undermining/impeding a person’s work/opinions, setting impossible deadlines, reminding them of their mistakes, taking credit for someone else’s job performance;
4. Removing areas of responsibility without cause, or excluding someone from certain projects; threatening job loss, etc., to reduce a person’s value to the business enterprise and its top management;
5. Micromanaging an employee, intruding on their privacy by spying on and pestering them, e.g., insisting that the Internet is a corporate resource and that private usage will adversely affect corporate bandwidth. Results-oriented human beings should have access to their cell phones, legitimate websites on the Internet, and their email accounts, during breaks or (say) 15 minutes of company-paid time during the day; otherwise, the cost of demotivation will far exceed the cost of “adverse bandwidth performance!”
6. Sexual harassment is a form of bullying: abuse of power and disrespect.

Bullying, which can be rooted in race, gender, age, or other attributes, impacts both victims and witnesses, leading to feelings of anger, stress, and a decrease in job satisfaction. This results in diminished effectiveness at work and in other areas, an increase in sick leave and health care costs, reduced employee volunteering, and fewer

positive remarks about their employers. Such consequences inevitably affect recruitment efforts and other facets of the company's well-being.

Although employees generally understand what constitutes workplace bullying, only a small fraction of those who have been bullied actually acknowledge experiencing it. According to statistics published by the US-based Workplace Bullying Institute,

~35% of US workers report being bullied at work

~58% of targets are women

~68% of bullying is same-gender harassment

Whereas male bullies pick on men and women, female bullies tend to pick on women more often than they pick on men!

1. Question: What are the typical traits of a workplace bully?

Answer: A show of superiority via body language and tone of voice, constant shuffling of paperwork, snacking, walking around and taking excessive breaks to hide their own inefficiency.

a. Talkers, rather than doers, i.e., those who can't "walk the talk."

b. Nitpicking, i.e., "majoring in minors," to destroy the self-confidence and morale of the victim and take advantage.

c. Developing special relationships with key personnel to diffuse opposition to bullying tactics.

2. Question: Whom do bullies target?

Answer: Targets include various professionals and nonprofessionals, on an individual or group basis if they are not expected to mount any serious opposition. Bullying is more highly prevalent in blue-collar, male-dominated jobs, where the tendency to report bullying incidents is relatively low, for fear of being branded a coward, i.e., for fear of one's masculinity being "put on trial," so to speak. (The same reasoning prevents some men from reporting the domestic abuse that they are subjected to.)

3. Question: Why do bullies get away with bullying?

Answer: Bullies get away with bullying because there are few workplace policies and laws to protect the targets, victims, and witnesses of bullying, except in the case of sexual harassment (which is also a form of bullying: abuse of power and disrespect).

Moreover, leaders may not be inclined to discourage results-oriented bullies despite considerable talk about the importance of “business ethics!”

4. Question: What can employees do about bullying?

Answer: Employees can collectively diffuse the situation by identifying bullies, isolating them, exposing them, standing up to them, reporting them to the HR department or to their trade union (if relevant), or even enlisting the support of another bully to confront and neutralize this type of behavior. Training sessions can help when combined with a confidential reporting structure, although it is difficult to alter the basic nature of certain individuals, who may need counseling.

Several years ago, during my tenure as a business consultant, there was an incident where a target of bullying, after issuing several warnings, finally punched the bully in the nose. To avoid adverse publicity and a costly lawsuit, the employer covered the resulting medical bill.

A less extreme approach would be for an employee who suffers mental, emotional, or physical injury due to workplace bullying to sue both the company and the abusive employee as joint respondents in the claim. If legal statutes fail to motivate employers to address bullying, the impact of economic realities surely will!

5. Question: How can a candidate for a job identify a bully at a job interview?

Answer: The candidate can assess the interviewer's office layout and content, including the chair, desk, walls, etc., and observe his or her mannerisms and tone of voice. It's important to note whether the interviewer maintains eye contact or avoids it when the interviewee makes eye contact. Observing the interviewer's clothing and body language is also crucial. Additionally, consider if the interviewer intentionally left the door open, potentially allowing interruptions, or abruptly ended the interview, possibly depriving the candidate of a job opportunity due to fear of being outperformed. If the candidate has the opportunity to meet other employees, he or she might identify bullies based on these criteria.

Many years ago, during an interview with a company's finance director, I was introduced to the president for my second interview. The president, a tall, slim, balding man in his late fifties, was seated in a dimly lit room on an expensive leather chair, seemingly envisioning himself as a character in "The Godfather." He inquired about my areas of expertise beyond accounting. I mentioned that I had recently written a book on

business and was seeking a publisher. His response was skeptical, questioning the book's relevance and the value of many business books.

I retorted, "This book is aimed at those who have spent 25 years in the same chair, gazing at their receding hairline in the mirror and boasting, 'I have 25 years of experience'." This comment visibly angered him. However, he soon calmed down, and I was offered the position of assistant finance director. I declined the offer, as I would be uncomfortable in an unethical work environment.

6. Question: What questions can candidates ask, and what clues should they look for at a job interview?

Answer: Candidates should thoroughly review the company's website, primarily designed for promoting the company, to learn about its products, services, board of directors, and managers. It's crucial to check whether women are (almost) equally represented in these areas and to seek clarification on any ambiguous matters. I recall working for an organization with a board of directors comprising several men and one inefficient woman, included merely to give the impression of the company's belief in "equal opportunities for women" – a farcical situation! Candidates must inquire about the corporate culture during interviews: is it friendly and caring? It's important to maintain eye contact, paying attention to the interviewer's tone of voice and body language, to gauge the veracity of their statements. Endeavor to understand the job responsibilities and the company's hiring policies, such as whether there's a preference for internal promotions and the effectiveness of the HR department.

In the US, while bullying is acknowledged as harmful to occupational health, there is minimal political or corporate initiative to curb it. Discrimination laws encompass race, sex, religion, age, disability, sexual orientation, and harassment. Additionally, workplace safety and union protection laws allow employees to litigate on the basis of "a hostile environment."

In Canada, provinces like Ontario (with Bill 168: the workplace harassment and violence legislation), Quebec, and Saskatchewan have implemented legislation concerning health and occupational safety, which includes workplace bullying.

In the UK, bullying is tackled through laws related to harassment and contractual law. This includes employment contract laws based on good faith, trust, and confidence between the contracting parties. These laws permit an employee to terminate their

employment contract on grounds of constructive dismissal and seek damages (in bullying situations.) Case law:

a) *Majrowski v Guy's & St Thomas' NHS Trust* (UK) [47], wherein an employer was held liable for one employee's harassment of another and

b) *Green v DB Group Services* (UK) Ltd [48], wherein a bullied worker was awarded > £800,000 in damages. Where a person is bullied on the grounds of sex, race, or disability, antidiscrimination laws apply.

In Ireland, the Safety, Health, and Welfare Act of 2005 mandates that both companies and employees take necessary actions to prevent workplace bullying, with serious consequences for noncompliance.

In Spain, bullying falls under the category of labor harassment, acknowledging its impact on the work environment.

In Sweden, the Ordinance of the Swedish National Board of Occupational Safety and Health places significant pressure on employers and employees to prevent workplace victimization.

Meanwhile, in Australia, workplace bullying is commonly linked with laws concerning workplace harassment and safety, with each state having its own specific legislation.

Conclusion

Compliance with ethical standards offers several benefits, such as heightened loyalty among customers, attracting higher quality employees, and reduced employee turnover, which stems from increased job satisfaction and lower stress levels. Additionally, adherence to ethical standards leads to a larger pool of investors, an enhanced corporate image, and increased goodwill, contingent upon the public's awareness of the company's commitment to ethical practices. The UK Institute of Business Ethics proposes a straightforward test for ethical decision-making in the business realm. This test involves asking oneself the following questions and being able to answer "yes" to each of them:

1. Transparency: Am I willing to inform the concerned parties of my decision?
2. Effect: Have I tried to minimize the harmful effects of my decision?
3. Fairness: Would those affected by my decision consider it fair?

